

FCC Meeting – 5/22/03

Agenda Items

- Cavalier Overview
- The Issue:
 - Intercarrier compensation
- Cellular
- IXC and CLEC
- RBOC
- Action required

The Cavalier Network

- Facilities-Based CLEC
 - Formed in 1998
- Mid-Atlantic Corridor – S. NJ to Norfolk, VA
- 8 Switches; 1,500 miles of fiber
- 242,000 Business and Residential Lines
- 8.7 million calls per day
- Facilities Based – UNE-L
 - No UNE-P
 - End Office & Tandem Trunks
- Cash flow Positive

Revenue Base

- Carrier revenue base in decline
- Sustained rate reductions since 2000
- Sustained substitution from toll traffic to cellular and email
- Inter-carrier
 - Access and recip comp. bills all wrong
 - Billing disputes – Nobody is paying each other
 - Gaming of calls to avoid paying access
 - Need less scrutiny and post-billing haggles

Compensation Leaks

- Long Distance Access being gamed to look like local calls
 - IP
 - Re-originated
 - Hide ANI
- Patch quilt compensation scheme requiring individual negotiations with hundreds of carriers.
 - Prone to error, controversy, and litigation
- Millions of minutes pass thru without proper billing identifiers
 - No CIC codes
 - “99999999” Records
 - Same “from” and “to” records

Cellular Compensation

- Cellular carrier getting free ride
- Low recip comp rate
- Large MTA vs. telephone exchange areas
- Will not enter into direct interconnection arrangements

IXC's and CLECS

- Hiding the calling party info and routing LD as local
- Everybody's billing everybody and nobody's paying
- Bills are all wrong based on ILEC's erroneous meet point tape
- Fraud is the norm
- Routing intrastate calls as interstate

ILEC's – Verizon

- Send calls with no CIC, ANI, LRN or OCN
- Route their own LD and cellular down local trunks
- Meet point tape is flawed:
 - Withhold data
 - Same from and to NNX
 - Missing records

Action Needed

- Plug existing holes
 - Establish national billing standards that all carriers must adhere to
 - Define traffic types with consideration for wireless
 - Set up firm rules for passing call traffic
 - Establish penalties for violators
- Quick and efficient enforcement mechanisms
- Ticking Time Bomb
 - Carriers booking revenue and not being paid
 - Verizon starting to bill transit
 - Free ride can not be sustained